

Testimony of

Ms. Anne Wallace

On behalf of

The Identity Theft Assistance Corporation

To The

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Chairman Coble and Ranking Member Scott, I am Anne Wallace, executive director of the Identity Theft Assistance Corporation. On behalf of our members – which are some of the nation’s largest financial services companies – I want to thank you for the opportunity to testify on critical issues related to information security. I also appreciate the opportunity to tell you about the Identity Theft Assistance Center, an innovative, collaborative initiative of the financial services industry that helps victims of identity theft restore their financial identity and partners with law enforcement to catch and convict the criminals.

Without commenting specifically on your legislation, we applaud your efforts to ensure that any business that has personally identifiable information take the protection of that information seriously. In general, we support a uniform national standard for security and customer notice, like that provided in the H.R. 3997, legislation reported by the House Committee on Financial Services. In addition, we support the following principles:

- Preservation of the security standards articulated in Title V of Gramm-Leach-Bliley;
- Exclusive enforcement by functional regulators for firms that are regulated under Gramm-Leach-Bliley and the Fair Credit Reporting Act; and
- Notice based on a “risk of identity theft” whether that notice is to consumers or law enforcement

While some breaches have occurred at financial firms, the vast majority have occurred in other sectors. We believe this is largely due to the fact that financial

services companies work very closely with their regulators to implement policies and procedures to safeguard customer data. Any additional legislation should complement Gramm-Leach-Bliley and the Fair Credit Reporting Act (and FACT Act amendments), not replace them.

Turning to identity theft, we all know that identity theft is not new. The Bible tells how Jacob stole Esau's identity in order to get the blessing of his father, Isaac. However, most identity thieves are in it for the money. Their methods have changed dramatically, and continue to evolve rapidly. In the 19th century, outlaws used guns and horses to rob stage coaches, and people still rob banks today because there is money there. Increasingly, however, personal information is the key that unlocks value whether that value is in the form of a credit card or health care services that the identity thief obtains using another person's identity. Identity thieves still use old-fashioned cunning to separate consumers from valuable personal information but they also use dumpster diving, hacking, and sophisticated online schemes such as "phishing."

The distinction is often made between violent crimes and nonviolent crimes like identity theft. Identity theft is not life threatening but its impact on victims and on society should not be underestimated. Identity theft is a vicious crime that can terrify victims, robbing them of their time and peace of mind as well as their money. Thanks to federal and state consumer protection laws, consumers usually recover most of the money stolen by the thief with industry bearing much of the upfront financial cost, estimated in the hundreds of millions of dollars. But consumers suffer the emotional consequences of the crime, and may spend years restoring their credit and identity.

Consumers also are angry and frustrated by the fact that relatively few identity thieves are prosecuted and convicted. Two problems – the small dollar amount of most cases and jurisdictional boundaries – allow identity theft gangs to exploit information gaps between law enforcement agencies. Because there is no central aggregation of identity theft information reported by victims and merchants, small thefts committed in multiple jurisdictions or reported to various local, state or federal agencies, are not connected to similar thefts to reveal the workings of these gangs. One police department investigating a gang will have little chance finding out whether any other agencies are investigating the same gang.

Two and a half years ago, the financial services industry and its professional association, The Financial Services Roundtable and BITS, came together to address the needs of victims and the needs of law enforcement. The Identity Theft Assistance Center, or ITAC, was designed to give victims the help and peace of mind they need at this difficult time. ITAC also helps law enforcement by sharing information about verified cases of identity theft from many companies located all over the country.

Let me briefly describe ITAC's victim assistance service. The process begins at an individual ITAC member company. The consumer and the member company resolve any issues at that company and, if the problem involves identity theft, the consumer is offered the ITAC service free of charge. Then, ITAC walks the consumer through his or her credit report to identify suspicious activity. ITAC notifies the affected creditors and places fraud alerts with the credit bureaus.

Since opening its doors in August 2004, ITAC has helped more than 6,000 consumers restore their financial identities.

At the beginning of the ITAC process, consumers are informed about ITAC's partnership with law enforcement and asked to consent to the sharing of their information with law enforcement. This disclosure and consent is the foundation for ITAC's information sharing with law enforcement.

In 2005, ITAC signed a data sharing agreement with the U. S. Postal Inspection Service under which we provide, on a weekly basis, information about the victim and the circumstances of the identity theft incident. Over the past year, USPIS loaded information about the 6,000 ITAC cases into their Financial Crime Database which is used by postal inspectors all over the country. Also last year, we signed a data sharing agreement with Federal Trade Commission. Each week, we send the same data to the FTC which adds ITAC data to their Consumer Sentinel Database. As you know, 1,400 local, state and federal agencies have access to the Consumer Sentinel Database. We also work with the FBI and the Secret Service who have 24-hour-a-day online access to ITAC data via the FTC's database.

These are landmark agreements. In the past, many financial institutions shared information about their own identity theft cases with local, state and federal agencies. This one-on-one information sharing continues to this day and is very valuable. But ITAC's data sharing is unique because the information represents verified cases of identity theft from many different companies, it is national in scope and is delivered in a consistent format.

ITAC data gives law enforcement a 360-degree perspective. They can compare ITAC data to other information they have and determine the scope of the crime. Is there a single victim? Are there multiple victims? Is the perpetrator operating in the United States, or are they offshore? Are the crooks using the proceeds of their crimes

to buy a big screen TV, or to finance terrorism? ITAC data can help law enforcement answer these questions.

Our law enforcement partners report that data from ITAC is helping them catch and prosecute identity thieves. The U.S. Postal Inspection Service recently advised us that ITAC data has been used in more than a dozen cases where suspects have been identified, and in some cases arrested. For example, a recent case in Massachusetts involved four ITAC complaints and an estimated \$167,000 in losses. False changes of addresses were used to divert mail containing financial documents belonging to five individuals. The information was used to order ATM cards and to make postal money order purchases.

With data sharing established at the federal level, we are moving to forge partnerships at the local and regional level where these cases are investigated and prosecuted. Just last week, ITAC signed a data sharing agreement with the Regional Identity Theft Network which was developed and is led by the US Attorney – EDPA. This innovative project include federal agencies (U. S. Postal Inspection Service, FBI, Secret Service, DHS and State Department), as well as the Pennsylvania Attorney General and District Attorneys in Philadelphia County and surrounding counties and offers a strategic solution to the size and information challenges mentioned above.

We also are moving forward with analysis of the ITAC data. With 6,000+ records, the ITAC database is reaching a “critical mass” where we can begin to map trends and patterns which we hope will help member companies detect and prevent identity theft. We will continue to identify new partners at the state and local law level. Finally, ITAC is inviting more companies – both in the financial services industry and in other industries including retailing and telecommunications – to join ITAC.

Mr. Chairman, I would be happy to answer any questions you may have.